

**REPORT OF THE AUDIT OF THE  
WARREN COUNTY  
SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period  
April 27, 2007 Through April 9, 2008**

**TEDDY MICHAEL PRATER CPA, PLLC  
HC 62 BOX 291  
SALYERSVILLE, KY 41465  
TELEPHONE (606) 349-8042**



## CONTENTS

PAGE

|   |   |
|---|---|
| INDEPENDENT AUDITOR'S REPORT.....   | 1 |
| SHERIFF'S SETTLEMENT – 2007 TAXES .....   | 3 |
| NOTES TO FINANCIAL STATEMENT.....   | 5 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON<br>COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT<br>PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ..... | 9 |



**TEDDY MICHAEL PRATER CPA, PLLC**  
**HC 62 BOX 291**  
**SALYERSVILLE, KY 41465**  
**TELEPHONE (606) 349-8042**

To the People of Kentucky

Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Michael O. Buchanon, Warren County Judge/Executive  
Honorable Jerry "Peanuts" Gaines, Warren County Sheriff  
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the Warren County Sheriff's Settlement - 2007 Taxes for the period April 27, 2007 through April 9, 2008. This tax settlement is the responsibility of the Warren County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

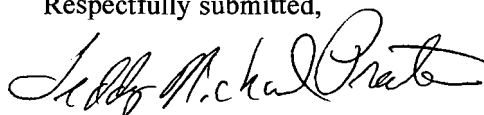
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Warren County Sheriff's taxes charged, credited, and paid for the period April 27, 2007 through April 9, 2008 in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2008 on our consideration of the Warren County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the result of our audit.

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

August 22, 2008



**WARREN COUNTY**  
**JERRY "PEANUTS" GAINES, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period April 27, 2007 Through April 9, 2008**

| <u>Charges</u>                         | <u>County Taxes</u> | <u>Special<br/>Taxing Districts</u> | <u>School Taxes</u> | <u>State Taxes</u> |
|--|---------------------|-------------------------------------|---------------------|--------------------|
| Real Estate                            | \$ 7,449,911        | \$ 2,727,928                        | \$ 17,064,808       | \$ 6,867,761       |
| Tangible Personal Property             | 1,326,777           | 170,745                             | 2,179,346           | 2,519,007          |
| Fire Protection                        | 1,488               |                                     |                     |                    |
| Increases Through Exonerations         | 1,605               | 555                                 | 2,370               | 1,229              |
| Franchise Corporation                  | 315,199             |                                     | 454,119             |                    |
| Additional Billings                    | 4,771               | 845                                 | 12,629              | 4,440              |
| Limestone, Sand, and Mineral Reserves  | 8,647               | 1,890                               | 23,764              | 7,943              |
| Penalties                              | 42,278              | 15,447                              | 91,425              | 41,464             |
| Adjusted to Sheriff's Receipt          | (92)                | 49                                  |                     | (226)              |
| Gross Chargeable to Sheriff            | <u>9,150,584</u>    | <u>2,917,459</u>                    | <u>19,828,461</u>   | <u>9,441,618</u>   |
| <u>Credits</u>                         |                     |                                     |                     |                    |
| Exonerations                           | 24,324              | 6,797                               | 61,029              | 23,495             |
| Discounts                              | 147,402             | 47,320                              | 320,778             | 156,026            |
| Delinquents:                           |                     |                                     |                     |                    |
| Real Estate                            | 22,134              | 15,562                              | 31,350              | 20,330             |
| Tangible Personal Property             | 6,260               | 801                                 | 11,001              | 10,047             |
| Uncollected Franchise                  | <u>3,516</u>        |                                     | <u>2,748</u>        |                    |
| Total Credits                          | <u>203,636</u>      | <u>70,480</u>                       | <u>426,906</u>      | <u>209,898</u>     |
| Taxes Collected                        | 8,946,948           | 2,846,979                           | 19,401,555          | 9,231,720          |
| Less: Commissions *                    | <u>380,533</u>      | <u>102,619</u>                      | <u>388,031</u>      | <u>392,636</u>     |
| Taxes Due                              | 8,566,415           | 2,744,360                           | 19,013,524          | 8,839,084          |
| Taxes Paid                             | 8,555,203           | 2,743,418                           | 18,989,526          | 8,827,748          |
| Refunds (Current and Prior Year)       | <u>11,534</u>       | <u>1,054</u>                        | <u>23,991</u>       | <u>11,676</u>      |
| Due Districts or (Refunds Due Sheriff) |                     | **                                  |                     |                    |
| as of Completion of Audit              | <u>\$ (322)</u>     | <u>\$ (112)</u>                     | <u>\$ 7</u>         | <u>\$ (340)</u>    |

The accompanying notes are an integral part of this financial statement.

**WARREN COUNTY**

**JERRY "PEANUTS" GAINES, SHERIFF**

**SHERIFF'S SETTLEMENT - 2007 TAXES**

**FOR THE PERIOD APRIL 27, 2007 THROUGH APRIL 9, 2008**

**(Continued)**

**\* Commissions:**

|          |    |            |
|----------|----|------------|
| 10% on   | \$ | 10,000     |
| 4.25% on | \$ | 20,450,195 |
| 2% on    | \$ | 19,401,556 |
| 1% on    | \$ | 565,452    |

**\*\* Special Taxing Districts:**

|                         |    |      |
|-------------------------|----|------|
| Warren Rural Electrical | \$ | 1    |
| Health District         |    | (56) |
| Extension               |    | (6)  |
| Soil Conservation       |    | 3    |
| Fire Districts:         |    |      |
| Alavaton                |    | (15) |
| Barren River            |    | (2)  |
| Browning                |    | (5)  |
| Gotts                   |    | (2)  |
| Hadley                  |    | (1)  |
| Plano                   |    | (7)  |
| Richardsville           |    | (10) |
| Smiths Grove            |    | (4)  |
| Woodburn                |    | (8)  |

|                                       |    |              |
|---------------------------------------|----|--------------|
| Due District or (Refunds Due Sheriff) | \$ | <u>(112)</u> |
|---------------------------------------|----|--------------|

The accompanying notes are an integral part of this financial statement.



WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT

April 9, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Warren County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 9, 2008  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk-Deposit

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Warren County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 9, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 27, 2007 through April 9, 2008.

Note 4. Interest Income

The Warren County Sheriff earned \$58,096 as interest income on 2007 taxes. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

Note 5. Sheriff's 10% Add-On Fees

The Warren County Sheriff collected \$129,032 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Cost And Fees

The Warren County Sheriff collected \$9,275 of advertising costs and \$9,275 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Fiscal Court allows the Sheriff to keep the advertising cost. The advertising costs and advertising fees were used to operate the Sheriff's office.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



**TEDDY MICHAEL PRATER CPA, PLLC**  
**HC 62 Box 291**  
**Salyersville, KY 41465**  
**Telephone (606) 349-8042**

The Honorable Michael O. Buchanon, Warren County Judge/Executive  
Honorable Jerry "Peanuts" Gaines, Warren County Sheriff  
Members of the Warren County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Warren County Sheriff's Settlement - 2007 Taxes for the period April 27, 2007 through April 9, 2008 and have issued our report thereon dated August 22, 2008. The Warren County Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Warren County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Warren County Sheriff's internal control over financing reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Warren County Sheriff's Settlement - 2007 Taxes for the period April 27, 2007 through April 9, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Warren County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Teddy Michael Prater", written in a cursive style.

Teddy Michael Prater CPA, PLLC

August 22, 2008